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E-FILED ON JUNE __, 2007

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Attorneys for Debtors

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re:
USA COMMERCIAL MORTGAGE COMPANY,
Debtor.

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR

In re:
USA CAPITAL REALTY ADVISORS, LLC,
Debtor.

Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

In re:
USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,
Debtor.

Chapter 11

In re:
USA CAPITAL FIRST TRUST DEED FUND, LLC,
Debtor.

Jointly Administered Under
 Case No. BK-S-06-10725 LBR

In re:
USA SECURITIES, LLC,
Debtor.

**DEBTORS' REPORT REGARDING
REVIEW OF THE FEE APPLICATIONS
OF THE PROFESSIONALS FOR THE
FOUR OFFICIAL COMMITTEES**

Affects:
☒ All Debtors
☐ USA Commercial Mortgage Company
☐ USA Securities, LLC
☐ USA Capital Realty Advisors, LLC
☐ USA Capital Diversified Trust Deed Fund, LLC
☐ USA Capital First Trust Deed Fund, LLC

Hearing Date: June 22, 2007
 Hearing Time: 9:30 a.m.

1 USA Commercial Mortgage Company, USA Securities, LLC, USA Capital Realty
 2 Advisors, LLC, USA Capital Diversified Trust Deed Fund, LLC, and USA Capital First Trust
 3 Deed Fund (collectively the “Debtors”), by and through their pre-effective-date counsel, hereby
 4 submit this report regarding the Debtors’ review of the fee applications filed by the professionals
 5 for the four official committees in these jointly-administered cases, and in support hereof states as
 6 follows:

7 1. On April 13, 2006 (“Petition Date”), the Debtors filed voluntary petitions for relief
 8 under chapter 11 of the Bankruptcy Code.

9 2. On May 10, 2006, the Office of the United States Trustee filed notices indicating
 10 that four separate official committees (the “Committees”) had been formed in these cases.

11 3. On January 8, 2007, this Court entered its Order Confirming the Debtors’ Third
 12 Amended Joint Chapter 11 Plan of Reorganization. (Docket No. 2376). The Effective Date of the
 13 Plan was March 12, 2007.

14 4. Pursuant to the Plan, all final fee applications were due to be filed by April 26,
 15 2007.

16 5. In accordance with the Plan, the following professionals for the Committees
 17 submitted final fee applications for approval by the Court:

- 18 a. Orrick, Herrington & Sutcliffe, LLC (“Orrick”), which was appointed as primary
 19 counsel for the Official Committee of Equity Security Holders of USA Capital
 20 Diversified Trust Deed Fund (the “DTDFC”), filed its final fee application seeking
 21 allowance of a total of \$2,228,780.60 in fees and \$42,914.58 in expenses.
- 22 b. Beckley Singleton, CHTD (“Beckley”), which was appointed as local counsel for
 23 the DTDFC, filed its final fee application seeking allowance of a total of
 24 \$458,344.87 in fees and \$65,469.83 in expenses.
- 25 c. FTI Consulting, Inc. (“FTI”), which was appointed as the financial advisor to the
 26 DTDFC, filed its final fee application seeking allowance of a total of \$1,613,380.50
 27 in fees and \$30,951.02 in expenses.

- d. Stutman, Treister & Glatt, P.C. (“Stutman”), which was appointed as primary counsel for the Official Committee of Equity Security Holders of USA Capital First Trust Deed Fund (the “FTDFC”), filed its final fee application seeking allowance of a total of \$2,159,529.95 in fees and \$92,573.35 in expenses.
- e. Shea & Carlyon, LTD (“Shea”), which was appointed as local counsel for the FTDFC, filed its final fee application seeking allowance of a total of \$762,221.75 in fees and \$19,603.31 in expenses.
- f. Alvarez & Marsal, LLC (“Alvarez”), which was appointed as the financial advisor to the FTDFC, filed its final fee application seeking allowance of a total of \$645,012.51 in fees and \$15,779.80 in expenses.
- g. Lewis and Roca, LLP (“L&R”), which was appointed as primary counsel for the Official Committee of Unsecured Creditors for USA Commercial Mortgage Company (the “UCC”), filed its final fee application seeking allowance of a total of \$1,205,492.75 in fees and \$121,226.73 in expenses.
- h. Sierra Consulting Group, LLC (“Sierra”), which was appointed as the financial advisor to the UCC, filed its final fee application seeking allowance of a total of \$367,984.50 in fees and \$8,241.05 in expenses.
- i. Gordon & Silver, LTD (“G&S”), which was appointed as primary counsel for the Official Committee of Executory Contract Holders of USA Commercial Mortgage Company, filed its final fee application seeking allowance of a total of \$1,028,068.75 in fees and \$14,637.62 in expenses.

The foregoing entities shall be collectively referred to as the “Committee Professionals.”

6. The Debtors conducted a thorough review of all of the Committee Professionals’ final fee applications and considered, among other things, the following factors during that review: (a) was the work performed necessary; (b) was the work adequately described and documented; (c) were the fees and costs billed reasonable in comparison to what the other Committee Professionals billed and the size of the Debtors’ estates; (d) was there duplication of effort; and (e) was travel time billed at one-half of the normal billing rates.

7. During the review process, the Debtors identified some relatively minor issues in the fee applications of L&R, G&S, Beckley, Alvarez and Sierra. However, the Debtors determined that the issues were minor enough that they did not merit the filing of objections, and in fact, determined that it probably would not be cost-effective for the respective estates to draft and litigate objections to these applications. However, due in large part to the efforts of the United States Trustee, the Debtors have been informed that all of these Committee Professionals will be filing supplements to their final fee applications indicating they will voluntarily agree to a two percent reduction in the total amount of their fees in this case.

8. During the review process, the Debtors also identified some more significant issues in the fee applications of Orrick, Stutman, Shea and FTI. Based on these issues, the Debtors prepared draft objections to each of these Committee Professionals' final fee applications, and contacted representatives of Orrick, Stutman, Shea and FTI to discuss these issues and request a voluntary fee reduction from each firm. Based on these conversations, as well as conversations initiated by the United States Trustee, Orrick, FTI, Stutman and Shea¹ have agreed to reduce their fees by two percent (2%). Such reductions address the issues the Debtors identified in their review of the

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¹ The Debtors' understood that Shea would agree to reduce its fees by 2% as long as Mesirow and Ray Quinney & Nebeker agreed to at least a 2% reduction in their fees. Ray Quinney & Nebeker had agreed with the United States Trustee to reduce its fees by 2% and has filed a supplement to its fee application in which it has voluntarily agreed to a 2% reduction of its fees. The Schwartz & McPherson Law Firm has agreed to voluntarily reduce its pre-Effective Date fees by 2% on condition that all other professionals employed by the Debtors or the Committees did, at least, the same. Mesirow has also voluntarily agreed to a greater than 2% reduction of its fees. Shea has yet to supplement its fee application to reflect the 2% reduction, apparently because it is still working through some issues with one of the other Committee Professionals. However, the Debtors' anticipate that once those issues are resolved, Shea will supplement its fee application accordingly.

Committee Professionals' fee applications, and as such, the Debtors have no objection to the
Committee Professionals' fee applications.

Dated: June 7, 2007

/s/ Jeanette E. McPherson
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